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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEVADA

In re

WASHINGTON GROUP
INTERNATIONAL, INC., et al.,
Debtors.

Case No. BK-N-01-31627
(Chapter 11)

ORDER UNDER 11 U.S.C.
§ 327(a) AND FED. R.
BANKR. P. 2014(a) AUTHO-
RIZING EMPLOYMENT AND RE-
TENTION OF LAZARD FRÈRES &
COMPANY, LLC AS INVESTMENT
BANKER

1 This matter having coming before the Court on
2 the application, dated May 13, 2001 (the "Application"),
3 of Washington Group International, Inc. ("WGI") and
4 certain of its direct and indirect subsidiaries, debtors
5 and debtors-in-possession (collectively, the "Debtors")
6 for an order under 11 U.S.C. § 327(a) and Fed. R. Bankr.
7 P. 2014(a) authorizing the employment and retention of
8 Lazard Freres & Company, LLC ("Lazard") as investment
9 banker to the Debtors; and upon the Affidavit of Frank A.
10 (Terry) Savage; and the Court being satisfied with the
11 representations made in the Application and affidavit
12 that Lazard represents no interest adverse to the es-
13 tates, that it is a "disinterested person" as that term
14 is defined under section 101(14) of the Bankruptcy Code,
15 as modified by section 1107(b) of the Bankruptcy Code,
16 that its employment is necessary and in the best inter-
17 ests of the Debtors' estates, creditors and other
18 parties-in-interest; and it appearing that notice of the
19 Application was good and sufficient under the particular
20 circumstances and that no other or further notice need be
21 given; and upon the record herein, and after due deliber-
22 ation thereon; and good and sufficient cause appearing
23 therefor, it is hereby
24

25 _____
26 ¹ Unless otherwise defined, capitalized terms
27 used herein shall have the meanings ascribed to
28 them in the Application.

ORDERED, ADJUDGED AND DECREED THAT:

1. The Application be, and it hereby is, GRANTED.

2. Pursuant to section 327(a) of the Bankruptcy Code, the Debtors be, and they hereby are, authorized to employ and retain Lazard as their investment banker as of the commencement of these cases, to perform the services set forth in the Application and Engagement Letter.

3. Lazard shall be compensated in accordance with the terms of the Engagement Letter, subject to the procedures set forth in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the orders of this court.

4. Notwithstanding the approval of the Engagement Letter, all of Lazard's fees and expenses in these cases shall be subject to approval of the Court under a "reasonableness" standard upon proper application by Lazard in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules of this Court and any other applicable orders of this Court, with the express reservation of rights of all parties in interest; provided, however, that the approval of the reasonableness of Lazard's fees and expenses shall not be evaluated solely on hourly based criteria.

1
2 5. The indemnification provisions of the
3 Engagement Letter are approved, subject to the following:

4 (a) subject to the provisions of subparagraph
5 (d) infra, the Debtors are authorized to
6 indemnify, and shall indemnify, Lazard, in
7 accordance with the Engagement Letter for any
8 claim arising from, related to, or in
9 connection with Lazard's prepetition
10 performance of the services described in the
11 Engagement Letter;

12 (b) subject to the provisions of subparagraph
13 (d) infra, the Debtors are authorized to
14 indemnify, and shall indemnify Lazard, in
15 accordance with the Engagement Letter for any
16 claim arising from, related to, or in
17 connection with Lazard's services, but not for
18 any claim arising from, related to, or in
19 connection with Lazard's postpetition
20 performance of any services other than the
21 services outlined in its Engagement Letter
22 unless such postpetition services and
23 indemnification therefor are approved by the
24 Court;

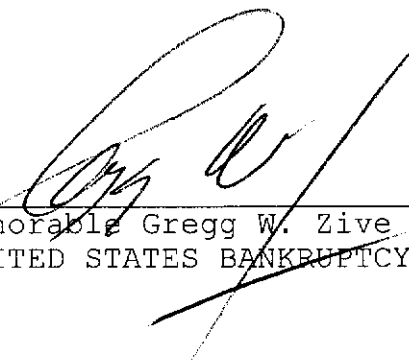
25 (c) notwithstanding any provision of the
26 Engagement Letter to the contrary, the Debtors
27 shall have no obligation to indemnify Lazard,
28 or provide contribution or reimbursement to
Lazard, for any claim or expense that is either
(a) judicially determined (the determination
having become final) to have arisen solely from
Lazard's gross negligence or willful
misconduct, or (b) settled prior to a judicial
determination as to Lazard's gross negligence
or willful misconduct, but determined by this
Court, after notice and a hearing, to be a
claim or expense for which Lazard should not
receive indemnity, contribution or
reimbursement under the terms of the Engagement
Letter as modified by this Order; and

(d) if, before the earlier of (i) the entry of
an order confirming a chapter 11 plan in these
cases (that order having become a final order
no longer subject to appeal), and (ii) the

1 entry of an order closing these chapter 11
2 cases, Lazard believes that it is entitled to
3 the payment of any amounts by the Debtors on
4 account of the Debtors' indemnification,
5 contribution and/or reimbursement obligations
6 under the Engagement Letter (as modified by
7 this Order), including without limitation the
8 advancement of defense costs, Lazard must file
9 an application therefor in this Court, on
10 notice, and the Debtors may not pay any such
11 amounts to Lazard before the entry of an order
12 by this Court approving the payment, after
13 notice and a hearing and a review for
14 reasonableness under Bankruptcy Code section
15 330. This subparagraph (d) is intended only to
16 specify the period of time under which the
17 Court shall have jurisdiction over any request
18 for fees and expenses by Lazard for
19 indemnification, contribution or reimbursement
20 and not a provision limiting the duration of
21 the Debtors' obligation to indemnify Lazard.

22 6. This Court will retain jurisdiction to construe
23 and enforce the terms of the Application, the Engagement
24 Letter, and this Order.

25 Dated: Reno, Nevada
26 June __, 2001
27 JUN 13 2001

28 
Honorable Gregg W. Zive
UNITED STATES BANKRUPTCY JUDGE

APPROVED/~~DISAPPROVED~~

29 
Nicholas Strozza, Esq.
Office of the United States Trustee